FIREBIRD resources inc.

# Unaudited Interim
# Consolidated Financial Statements

## As at and for the three months ended

## July 31, 2011 and 2010

## MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of Firebird Resources Inc. (the "Company") are the responsibility of the management and Board of Directors of the Company.

The unaudited interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting and IFRS 1 - First-Time Adoption of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

*“John Cook”*
President and Chief Executive Officer

*“Stephen Gledhill”*
Chief Financial Officer

### NOTICE TO READER

***The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim consolidated financial statements as at and for the three months ended July 31, 2011 and 2010 have not been reviewed by the Company's auditors.***

**Firebird Resources Inc.**
**Unaudited Interim Consolidated Statements of Financial Position**

***(Canadian Dollars)***

| *As at* | **July 31, 2011** | April 30, 2011 | May 1, 2010 |
|---|---|---|---|
| | **$** | $ | $ |
| **Assets** | | **(Note 4)** | **(Note 4)** |
| **Current assets** | | | |
| Cash *(note 9)* | **505,305** | 178,334 | 383,483 |
| Trade and other receivables *(note 10)* | **30,524** | 14,437 | 2,518 |
| Prepaid expenses | **-** | - | 3,968 |
| | **535,829** | 192,771 | 389,969 |
| **Non-current assets** | | | |
| Related-party loan receivable *(notes 5.4 & 11)* | **700,000** | - | - |
| | **1,235,829** | 192,771 | 389,969 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities *(note 12)* | **192,008** | 268,318 | 52,838 |
| Related-party loans *(note 5.14)* | **9,556** | 24,556 | 126,581 |
| | **201,564** | 292,874 | 179,419 |
| **Non-current liabilities** | | | |
| Convertible debenture *(note 13)* | **99,397** | 87,842 | 41,624 |
| | **300,961** | 380,716 | 221,043 |
| **Equity** | | | |
| Share capital *(note 15)* | **17,568,359** | 16,462,327 | 11,564,327 |
| Share subscriptions received *(note 15(d))* | **237,500** | 373,000 | - |
| Reserve for warrants *(note 17)* | **702,276** | 148,481 | 148,481 |
| Reserve for share-based payments *(note 18)* | **1,504,744** | 1,233,776 | - |
| Equity portion of convertible debenture *(note 13)* | **231,092** | 231,092 | 231,092 |
| Deficit | **(19,309,103)** | (18,636,621) | (11,774,974) |
| | **934,868** | (187,945) | 168,926 |
| | **1,235,829** | 192,771 | 389,969 |

***Going concern (note 2)***
***Commitments (note 16)***

Approved by the Board on October 31, 2011:

*"Glen MacDonald"*
Director

*"Thomas Tough"*
Director

***The accompanying notes are an integral part of these unaudited interim consolidated financial statements.***

## Firebird Resources Inc.

## Unaudited Interim Consolidated Statements of Loss and Comprehensive Loss

***(Canadian Dollars-except weighted average number of shares outstanding)***

| **Three months ended July 31,** | **2011** | 2010 |
|---|---|---|
| | **$** | $ |
| | | **(Note 4)** |
| **Operating expenses** | | |
| General and administrative *(note 14)* | **65,963** | 17,642 |
| Management fees *(note 14)* | **80,750** | (18,831) |
| Professional fees | **17,000** | 34,683 |
| Exploration and evaluation expenditures *(note 16)* | **616,498** | 6,000 |
| Share-based payments *(note 15)* | **270,968** | - |
| **Net loss before items below** | **(1,051,179)** | (39,494) |
| Accretion on discount of convertible debentures | **(11,555)** | - |
| Interest expense | **(6,427)** | - |
| Gain on sale of properties | **396,679** | - |
| **Net loss and comprehensive net loss** | **(672,482)** | (39,494) |
| | | |
| **Basic and fully diluted net loss per share** | **0.013** | 0.003 |
| | | |
| **Weighted average number of shares (000's)** | **50,890,365** | 14,432,353 |

***The accompanying notes are an integral part of these unaudited interim consolidated financial statements.***

# Firebird Resources Inc.
## Unaudited Interim Consolidated Statements of Changes in Equity
***(Canadian Dollars)***

| | Share Capital | | | Reserves | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Number of Shares** | **Amount** | **Subscriptions receivable** | **Share-based payments** | **Warrants** | **Deficit** | **Equity portion of convertible debentures** | **Total** |
| Balance at May 1, 2010 | 19,395,408 | 11,564,327 | - | - | 148,481 | (11,774,974) | 231,092 | 168,926 |
| Exercise of warrants | 15,000 | 1,500 | - | - | - | - | - | 1,500 |
| Net loss for the period | - | - | - | - | - | (39,495) | - | (39,495) |
| **Balance at July 31, 2010** | **19,410,408** | **11,565,827** | **-** | **-** | **148,481** | **(11,814,469)** | **231,092** | **130,931** |
| Exercise of warrants | 1,910,000 | 96,500 | - | - | - | - | - | 96,500 |
| Issued for property option payment | 9,056,603 | 4,800,000 | - | - | - | - | - | 4,800,000 |
| 2-1 share split | 19,430,408 | - | - | - | - | - | - | - |
| Options issued | - | - | - | 1,233,776 | - | - | - | 1,233,776 |
| Subscriptions received | - | - | 373,000 | | | | | |
| Net loss for the period | - | - | - | - | - | (6,822,152) | - | (6,822,152) |
| **Balance at April 30, 2011** | **49,807,419** | **16,462,327** | **373,000** | **1,233,776** | **148,481** | **(18,636,621)** | **231,092** | **(187,945)** |
| Exercise of warrants | 200,000 | - | (10,000) | - | - | - | - | (10,000) |
| Subscriptions received | - | - | 247,500 | - | - | - | - | 247,500 |
| Private placement *(note 15(c))* | 3,653,000 | 2,191,800 | (373,000) | - | - | - | - | 1,818,800 |
| Cost of private placement cash | - | (135,294) | - | - | - | - | - | (135,294) |
| Cost of private placement – compensation warrants | | (97,170) | - | - | 97,170 | - | - | - |
| Fair value of warrants | - | (456,625) | - | - | 456,625 | - | - | - |
| Spin-out of subsidiary's shares *(note 1)* | - | (396,679) | - | - | - | - | - | (396,679) |
| Vesting of share-based payments | - | - | - | 270,968 | - | - | - | 270,968 |
| Net loss for the period | - | - | - | - | - | (672,482) | - | (672,482) |
| **Balance at July 31, 2011** | **53,660,419** | **17,568,359** | **237,500** | **1,504,744** | **702,276** | **(19,309,103)** | **231,092** | **934,868** |

***The accompanying notes are an integral part of these unaudited interim consolidated financial statements.***

**Firebird Resources Inc.**
**Unaudited Interim Consolidated Statements of Cash Flow**

***(Canadian Dollars)***

| Three month period ended July 31, | 2011 | 2010 |
|---|---|---|
| | $ | $ |
| | | (Note 4) |
| **Operations** | | |
| Net loss | (672,482) | (39,494) |
| Adjustments to reconcile net loss to cash flow from operating activities: | | |
| Accretion on convertible debentures | 11,555 | - |
| Share-based payments | 270,968 | - |
| Gain on sale of properties | (396,679) | - |
| Net change in non-cash working capital items: | | |
| Trade and other receivables | (16,086) | 512 |
| Prepaid expenses | - | (3,533) |
| Account payable and accrued liabilities | (76,310) | 41,539 |
| Related-party loans | (15,000) | (102,681) |
| **Cash flow used in operating activities** | (894,034) | (103,657) |
| **Financing** | | |
| Issuance of common shares (net of issuance costs of $135,294 (2010 - $Nil) and subscriptions receivable of $135,500 (2010 - $373,000)) | 1,921,005 | 1,500 |
| Prepayment of loans payable | - | (8,444) |
| **Cash flow provided from financing activities** | 1,921,005 | (6,944) |
| **Investments** | | |
| Related party loan receivable | (700,000) | - |
| **Cash flow used in investing activities** | (700,000) | - |
| **Increase in cash and cash equivalents** | 326,971 | (110,601) |
| Cash at beginning of period | 178,334 | 383,483 |
| **Cash at end of period** | 505,305 | 272,882 |
| **Supplemental cash flow information:** | | |
| Interest paid | - | - |
| Income taxes paid | - | - |

***The accompanying notes are an integral part of these unaudited interim consolidated financial statements.***

## 1. General

The Company was incorporated under the Canada Business Corporations Act and is listed on the TSX Venture Exchange. On November 4, 2009, the Company changed its name from Falcon Ventures International Inc. to Firebird Resources Inc. The Company is an exploration stage company that is in the process of exploring its mineral properties located in Canada and the United States of America and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete explorations and development and future profitable production from the properties.

### Spin-out transaction

On May 17, 2011, the Company announced that it had received an order from the Supreme Court of British Columbia authorizing it to convene an annual and special meeting for the purpose of considering and approving a plan of arrangement whereby GTO Resources Inc. ("GTO"), a wholly owned subsidiary of the Company would acquire the Company's interest in the Rose Property, and through the distribution of shares to existing shareholders, would become an independently listed company (the "Spin-out"). Each shareholder of the Company received one common share of the Company and one-half of one common share of GTO. Each warrant holder received one new common share purchase warrant of the Company under the same terms as the existing share purchase warrants, and one-half of one common share purchase warrant of GTO. On June 13, 2011, the shareholders of the Company approved the plan of arrangement. On June 14, 2011, the Company received final approval for the plan of arrangement and such plan closed on July 27, 2011, with GTO commencing trading on the TSX Venture Exchange on July 28, 2011 under the trading symbol of "GTR"

In concert with the Spin-out, the Company loaned GTO $700,000 at an annual interest rate of Royal Bank of Canada's prime lending rate plus 3%, compounded semi-annually and payable upon maturity. See note 11 to these interim consolidated financial statements for additional details regarding the loan.

## 2. Going concern

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at July 31, 2011, the Company has not generated any revenues from operations, has a an accumulated deficit of $19,309,103 and used $894,034 funds for operating activities for the 3 months ended July 31, 2011. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that it has sufficient working capital to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing may be required but will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

The reader is also directed to review *note 7 (ii) - Financial instruments – Liquidity risk*.

## 3. Basis of Preparation

### 3.1 Statement of compliance

These interim consolidated financial statements are unaudited and have been prepared in accordance with IAS 34 *'Interim Financial* Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's first IFRS interim consolidated financial statements for part of the period covered by the Company's first IFRS consolidated annual financial statements for the year ending April 30, 2012. Previously, the Company prepared its annual consolidated and interim consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles (Canadian "GAAP")

As these are the Company's first set of interim consolidated financial statements in accordance with IFRS, the Company's disclosures exceeds the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's fiscal 2011 annual consolidated financial statements prepared in accordance with Canadian GAAP. In fiscal 2012 and beyond, the Company may not provide the same amount of disclosure in the Company's interim consolidated financial statements under IFRS as the reader will be able rely on the annual consolidated financial statements which will be prepared in accordance with IFRS.

### 3.2 Basis of presentation

The financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in note 4. The comparative figures presented in these interim consolidated financial statements are in accordance with IFRS and have not been audited.

### 3.3 Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after May 1, 2011. For the purpose of preparing and presenting the Financial Information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these interim consolidated financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

- **IFRS 9 *'Financial Instruments: Classification and Measurement'*** – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.

- **IFRS 10 '*Consolidated Financial Statements'*** – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

- **IFRS 11 '*Joint Arrangements'*** - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.

- **IFRS 12 '*Disclosure of Interests in Other Entities'*** - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

- **IFRS 13 '*Fair Value Measurement'*** - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

The Company has not early adopted these standards, amendments and interpretations, however the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

### *4. First Time Adoption of IFRS*

The Company has adopted IFRS on May 1, 2011 with a transition date of May 1, 2010 (the **"Transition Date"**). Under **IFRS 1 *'First time Adoption of International Financial Reporting Standards'***, the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied.

The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of **IFRS 3, *Business Combinations***, prospectively from the Transition Date;

- in accordance with IFRS 1, as the Company has elected to implement IFRS 3 prospectively, it also elects to apply **AIS 27, *Consolidated and Separate Financial Statements*** prospectively;

- to apply the requirements of **IAS 16, *Property, Plant and Equipment***, and treat the initial fair value of property, plant and equipment at the date of transition, at the deemed cost for IFRS; and

- to apply the requirements of **IFRS 2, *Share-based payments***, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date;

Below is the Company's Consolidated Statement of Financial Position as at the Transition Date of May 1, 2010 under IFRS:

| | As at May 1, 2010 | | |
|---|---|---|---|
| | **GAAP** | **Effect of transition to IFRS** | **IFRS** |
| **Assets** | | | |
| **Current Assets** | | | |
| Cash | 383,483 | - | 383,483 |
| Trade and other receivables | 2,518 | - | 2,518 |
| Prepaid expenses | 3,968 | | 3,968 |
| | 389,969 | - | 389,969 |
| Mineral properties and deferred | 378,228 | (378,228) | - |
| | 768,197 | (378,228) | 389,969 |
| **Liabilities** | | | |
| **Current liabilities** | | | |

| | | | |
|---|---|---|---|
| Accounts payable and accrued liabilities | 52,838 | - | 52,838 |
| Related-party loans | 126,581 | - | 126,581 |
| | 179,419 | - | 179,419 |
| **Non-current liabilities** | | | |
| Convertible debenture | 41,624 | - | 41,624 |
| | 221,043 | - | 221,043 |
| **Equity** | | | |
| Share capital | 11,524,555 | 39,772 | 11,564,327 |
| Contributed surplus | 148,481 | (148,481) | - |
| Reserve for share-based payments | - | - | - |
| Reserve for warrants | - | 148,481 | 148,481 |
| Equity portion of convertible debentures | 231,082 | - | 231,092 |
| Deficit | (11,356,974 | (418,000) | (11,774,974) |
| | 547,154 | (378,228) | 168,926 |
| | 768,197 | (378,228) | 389,969 |

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IFRS employs a conceptual framework that is similar to Canadian GAAP. The adoption has resulted in significant changes to the reported financial position, results of operations and cash flows of the Company. Presented below are reconciliations prepared by the Company to reconcile to IFRS the assets, liabilities, equity, net loss and cash flows of the Company from those reported under Canadian GAAP:

**Reconciliation of assets, liabilities and equity**

| | As at July 31, 2010 | | | |
|---|---|---|---|---|
| | **GAAP** | **Effect of transition to IFRS** | **IFRS** | **Notes** |
| **Assets** | | | | |
| **Current Assets** | | | | |
| Cash | 272,882 | - | 272,882 | |
| Trade and other receivables | 2,007 | - | 2,007 | |
| Prepaid expenses | 7,500 | - | 7,500 | |
| | 282,389 | - | 282,389 | |
| **Non-current assets** | | | | |
| Mineral properties and deferred expenditures | 384,228 | (384,228) | - | (a) |
| | 666,617 | (384,228) | 282,389 | |
| **Liabilities** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable and accrued liabilities | 94,834 | - | 94,834 | |
| Related-party loans | 15,000 | - | 15,000 | |
| | 109,834 | - | 109,834 | |
| **Non-current liabilities** | | | | |
| Convertible debenture | 41,624 | - | 41,624 | |
| | 151,458 | - | 151,458 | |
| **Equity** | | | | |
| Share capital | 11,526,055 | 39,772 | 11,565,827 | (b) |
| Contributed surplus | 148,481 | (148,481) | - | (c) |
| Reserve for share-based payments | - | - | - | |
| Reserve for warrants | - | 148,481 | 148,481 | (c) |
| Equity portion of convertible debentures | 231,092 | - | 231,092 | |
| Deficit | (11,390,469) | (424,000) | (11,814,469) | (a) |
| | 515,159 | (384,228) | 130,931 | |
| | 666,617 | (384,228) | 282,389 | |

**Reconciliation of assets, liabilities and equity**

| | As at April 30, 2011 | | | |
|---|---|---|---|---|
| | **GAAP** | **Effect of transition to IFRS** | **IFRS** | **Notes** |
| **Assets** | | | | |
| **Current Assets** | | | | |
| Cash | 178,334 | - | 178,334 | |
| Trade and other receivables | 14,437 | - | 14,437 | |
| | 192,771 | - | 192,771 | |
| **Non-current assets** | | | | |
| Mineral properties and deferred | 5,579,056 | (5,579,056) | - | (a) |
| | 5,771,827 | (5,579,056) | 192,771 | |
| **Liabilities** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable and accrued liabilities | 268,318 | - | 268,318 | |
| Related-party loans | 24,556 | - | 24,556 | |
| | 292,874 | - | 292,874 | |
| **Non-current liabilities** | | | | |
| Convertible debentures | 87,842 | - | 87,842 | |
| | 380,716 | - | 380,716 | |
| **Equity** | | | | |
| Share capital | 16,422,555 | 39,772 | 16,462,327 | (b) |
| Contributed surplus | 1,382,257 | (1,382,257) | - | (c) |
| Reserve for share-based payments | - | 1,233,776 | 1,233,776 | (c) |
| Reserve for warrants | - | 148,481 | 148,481 | (c) |
| Equity portion of convertible debentures | 231,092 | - | 231,092 | |
| Subscriptions received | 373,000 | - | 373,000 | |
| Deficit | (13,017,793) | (5,618,828) | (18,636,621) | (a) |
| | 5,391,111 | (5,579,056) | (187,945) | |
| | 5,771,827 | (5,579,056) | 192,771 | |

### Reconciliation of statement of loss and comprehensive loss

| | Three months ended July 31, 2010 | | | |
|---|---|---|---|---|
| | **GAAP** | **Effect of transition to IFRS** | **IFRS** | **Notes** |
| **Administrative Expenses** | | | | |
| General and administrative | 15,143 | - | 15,143 | |
| Management fees | (18,831) | - | (18,831) | |
| Professional fees | 30,756 | - | 30,756 | |
| Exploration and evaluation expenditures | - | 6,000 | 6,000 | (a) |
| | 27,068 | 6,000 | 33,068 | |
| **Loss before items below** | (27,068) | (6,000) | (33,068) | |
| Accretion of discount on convertible debentures | - | - | - | |
| Interest expense | (6,427) | - | (6,427) | |
| **Net loss and comprehensive net loss** | (33,495) | (6,000) | (39,495) | |

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**Reconciliation of statement of loss and comprehensive loss**

| | Year ended April 30, 2011 | | | |
|---|---|---|---|---|
| | GAAP | Effect of transition to IFRS | IFRS | Notes |
| **Administrative Expenses** | | | | |
| General and administrative | 168,987 | - | 168,987 | |
| Management fees | 93,000 | - | 93,000 | |
| Professional fees | 124,919 | - | 124,919 | |
| Exploration and evaluation expenditures | - | 5,200,828 | 5,200,828 | (a) |
| Share-based payments | 1,233,776 | - | 1,233,776 | |
| | 1,620,682 | 5,200,828 | 6,821,510 | |
| **Loss before items below** | (1,620,682) | (5,200,828) | (6,821,510) | |
| Accretion on discount on convertible debentures | (46,218) | - | (46,218) | |
| Gain on settlement of debt | 31,581 | - | 31,581 | |
| Interest expense | (25,500) | - | (25,500) | |
| **Net loss and comprehensive net loss** | (1,660,819) | (5,220,828) | (6,861,647) | |

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**Reconciliation of Cash Flows**

| | Three months ended July 31, 2010 | | | |
|---|---|---|---|---|
| | **GAAP** | **Effect of transition to IFRS** | **IFRS** | **Notes** |
| ***Operations*** | | | | |
| Net loss | (33,495) | (6,000) | (39,495) | (a) |
| Adjustments to reconcile net loss to cash flow from operating activities: | | | | |
| Net change in non-cash operating working capital items: | | | | |
| Trade and other receivables | 512 | - | 512 | |
| Prepaid expenses | (3,532) | - | (3,532) | |
| Accounts payable and accrued liabilities | 35,539 | 6,000 | 35,539 | (a) |
| | (976) | - | (976) | |
| **Financing** | | | | |
| Issuance of common shares | 1,500 | - | 1,500 | |
| Repayment of related-party loans | (102,681) | - | (102,681) | |
| Repayment of loans payable | (8,444) | - | (8,444) | |
| | (109,625) | - | (109,62) | |
| **Investing** | | | | |
| Expenditures on deferred exploration | - | - | - | |
| | - | - | - | |
| **Decrease in cash** | (110,601) | - | (110,601) | |
| Cash at beginning of period | 383,483 | - | 383,483 | |
| **Cash at end of period** | 272,882 | - | 272,882 | |

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**Reconciliation of Cash Flows**

| | Year ended April 30, 2011 | | | |
|---|---|---|---|---|
| | **GAAP** | **Effect of transition to IFRS** | **IFRS** | **Notes** |
| ***Operations*** | | | | |
| Net loss | (1,660,819) | (5,200,828) | (6,861,647) | (a) |
| Adjustments to reconcile net loss to cash flow from operating activities: | | | | |
| Accretion of discount on convertible debentures | 46,218 | - | 46,218 | |
| Gain on settlement of debt | (31,581) | - | (31,581) | |
| Shares issued for property option payment | - | 4,800,000 | 4,800,000 | (a) |
| Share-based payments | 1,233,776 | - | 1,233,776 | |
| Net change in non-cash operating working capital items: | | | | |
| Trade and other receivables | (11,919) | - | (11,919) | |
| Prepaid expenses | 3,968 | - | 3,968 | |
| Account payable and accrued liabilities | (215,480) | - | (215,480) | |
| Related-party loans | 9,556 | - | 9,556 | |
| | (195,321) | (400,828) | (596,149) | |
| **Financing** | | | | |
| Issuance of common shares (net of issue costs) | 471,000 | - | 471,000 | |
| Repayment of related-party loans | (80,000) | - | (80,000) | |
| | 391,000 | - | 391,000 | |
| **Investing** | | | | |
| Expenditures on deferred exploration | (400,828) | 400,828 | - | (a) |
| | (400,828) | 400,828 | - | |
| **Decrease in cash** | (205,149) | - | (205,149) | |
| Cash at beginning of year | 383,483 | - | 383,483 | |
| **Cash at end of year** | 178,334 | - | 178,334 | |

**Notes to Reconciliations**

**a) Acquisition, exploration and evaluation expenditures**

*Under Canadian GAAP* – Prior to 2011, the Company used the policy to defer the cost of mineral properties and their related exploration and development costs are until the properties are placed into production, sold or abandoned. These costs would be amortized over the estimated useful life of the properties following the commencement of production. Cost includes both the cash consideration as well as the fair market value of any securities issued on the acquisition of mineral properties. Properties acquired under option agreements or joint ventures, whereby payments were made at the sole discretion of the Company, were recorded in the accounts at such time as the payments are made. The proceeds from property options granted reduced the cost of the related property and any excess over cost is applied to income.

*Under IFRS* – Acquisition, exploration and evaluation expenditures for each property are expensed as incurred, unless such costs are expected to be recovered through successful development and exploration of the property or, alternatively, by its sale.

**b) Flow-through shares**

IFRS requires 3 changes to the Company's current practices on flow-through shares issued:

1. *Date of recognition*

   Under Canadian GAAP, the transaction is measured on the date that the transaction is renounced with the Canadian tax authorities.

   Under IFRS, the transaction is measured on the date that the transaction is completed (ie. closing of the financing).

2. *Initial recognition*

   Under Canadian GAAP, the resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. The deferred income taxes relating to the temporary differences that arise when the qualifying expenditures are incurred sere recorded at the time of filing the renunciation with the tax authorities based on the substantially enacted tax rates at the time. The recognition of the deferred income tax liability results in a corresponding reduction to the carrying value of the shares issued.

   Under IFRS, the obligation to renounce tax deductions at the time of issuance of flow-through shares is recorded as a liability in accordance with *IAS 37, "Provisions, Contingent Liabilities and Contingent Assets*" measured using a residual or a relative fair value method.

   This means that the Company is required to calculate the flow-through "premium" (difference between value of flow-through share issued and market value of a common share) on a financing and this "premium" will need to be recorded as a liability.

3. *Subsequent measurement*

   Under IFRS, the flow-through share premium obligation is release into the statement of comprehensive income as a gain as and when the Company incurs qualifying expenditures (ie fulfilling its obligations to renounce tax attributes).

**c) Reserves**

*Under Canadian GAAP* – Prior to 2011, the Company recorded the value of share-based payments and warrants issued to contributed surplus.

*Under IFRS* – IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. IFRS requires a separate disclosure of the value that relates to "Reserves for warrants", "Reserves for share-based payments" and any other component of equity.

### *5. Summary of Significant Accounting Policies*

#### 5.1 Basis of consolidation

The interim consolidated financial statements include the financial statements of the Company and its wholly controlled subsidiaries, Falcon Ventures (US) Corp. ("Falcon") , K.K. Tan International Inc. ("KK Tan") and Firebird Gold, Inc. ("Firebird Gold"). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of their interest in the subsidiary's equity are allocated against the interests of the Company except to the extent that the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses.

#### 5.2 Mineral properties

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into Property, plant and equipment ("PPE"). On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

#### 5.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the declining balance method or unit-of-production method over the following expected useful lives:

| | |
|---|---|
| • Exploration equipment | 20% |
| • Automotive equipment | 30% |
| • Equipment | 20% |

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of comprehensive income.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes arising from the assessment are applied by the Company prospectively.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

As of the date of these interim consolidated financial statements, the Company has no PPE.

### 5.4 Decommissioning, restoration and similar liabilities ("Asset retirement obligation" or "ARO")

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

As of the date of these interim consolidated financial statements, the Company has no ARO.

### 5.5 Share-based payments

***Share-based payment transactions***

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

***Equity-settled transactions***

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

### 5.6 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

***Deferred income tax***

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

• where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

• in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

### 5.7 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The “treasury stock method” is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the three months ended July 31, 2011, all the outstanding stock options and warrants were antidilutive. There were no stock options outstanding as at July 31, 2010.

### 5.8 Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company's trade and other receivables are classified as loans-and-receivables and its related-party loan receivable is classified as held-to-maturity.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

### 5.9 Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. As at July 31, 2011, the Company has not classified any financial liabilities as FVTPL.

### 5.10 Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

***Assets carried at amortized cost***

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

***Available-for-sale***

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

### 5.11 Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

### 5.12 Cash

Cash in the statement of financial position comprises cash at banks and on hand.

### 5.13 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

### 5.14 Related-party transactions and balances

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related-party transaction when there is a transfer of resources or obligations between related parties. Related-party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

### 5.15 Foreign currency transactions

*Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is the Canadian Dollar, and the presentation of the subsidiaries in the group is the United States of America dollar. The consolidated financial statements are presented in Canadian Dollars which is the group's presentation currency.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss.

*Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the statement of loss as part of the gain or loss on sale.

### 5.16 Significant accounting judgments and estimates

The preparation of these interim consolidated financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to asset retirement obligations; property, plant and equipment, recoverability of trade and other receivables, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgements relate to recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.

These interim consolidated financial statements contain management's judgement and estimates regarding the recoverability of its trade and other receivables and calculation of share-based payments.

## 6. Capital management

The Company considers its capital to be equity, which is comprised of share capital, reserve accounts, share subscriptions received and deficit, which as at July 31, 2011 totaled $934,868 (April 30, 2011 - $(187,945)). The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business

The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options or warrants, the sale of equity capital of the Company or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews is capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three months ended July 31, 2011. The Company is not subject to externally imposed capital restrictions.

## 7. Financial instruments

### Fair value

The Company has, designated its cash as FVTPL, which are measured at fair value. Trade and other receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Related-party loan receivable is classified as held-to-maturity, which are measured at amortized cost, which also equal fair value. Trade and other payables are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also equals fair value. Fair values of trade and other receivables and accounts payable and accrued liabilities are determined from transaction values which were derived from observable market inputs. Fair values of other financial assets are based on Level 1 measurements and the remaining financial instruments are based on Level 2 measurements.

As at July 31, 2011, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these investments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

### i) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the statement of financial position.

a. **Cash** – Cash is held with major Canadian and United States banks and therefore the risk of loss is minimal.

b. **Trade and other receivables** – The Company is not exposed to significant credit risk as this amount is due from the Canadian government.

### ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at July 31, 2011, the Company had a working capital of $334,265 (April 30, 2011 – deficiency of $100,103). The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. In addition, in order to meet its longer-term working capital and property exploration expenditures, the Company intends on securing further financing to ensure that those obligations are properly discharged. There can be no assurance that Firebird will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Firebird may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its some or all of its interests and reduce or terminate its operations therein.

### iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

#### a. Interest rate risk

The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term, is invested in short-term guaranteed investment certificates, as appropriate.

#### b. Currency risk

Although the Company's operations are conducted in Canadian dollars, it has entered into contracts and/or agreements that require payment in United States dollars. Management believes that foreign currency risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

#### c. Price risk

The Company holds no investments and is therefore not subject to price risk.

## 8. Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one year period:

**i.** The Company's funds are kept in Canadian and US dollars a major Canadian financial institution.

As at July 31, 2011, the Company's exposure to foreign currency balances is zero as it holds no funds in United States dollars.

The Company believes that a change of 10% in foreign exchange rates would have a negligible effect on net loss for the period.

## 9. Cash

The balance at July 31, 2011, consists of $505,305 (April 30, 2010 - $178,334) on deposit with a major Canadian bank.

## 10. Trade and other receivables

The Company's trade and other receivables consist of harmonized services tax ("HST") receivable due from government taxation authorities.

Below is an aged analysis of the Company's trade and other receivables:

| | As at, | | |
|---|---|---|---|
| | **July 31, 2011** | April 30, 2011 | May 1, 2010 |
| | **$** | $ | $ |
| 30 – 90 days | **30,524** | 14,437 | 2,518 |
| **Total trade and other receivables** | **$ 30,524** | $ 14,437 | $ 2,518 |

At July 31, 2011, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 7.

The Company holds no collateral for any receivable amounts outstanding as at July 31, 2011.

## 11. Related-party loan receivable

In concert with the Spin-out, the Company provided a $700,000 loan to GTO to assist with its start-up expenditure requirements. The loan has a term of 2 years (maturing on July 18, 2013) and accrues interest at Royal Bank of Canada's prime lending rate plus 3% per annum, compounded semi-annually. Accrued and unpaid interest and principal are due to the Company upon maturity of the loan.

The loan is convertible, in whole or in part, at the option of GTO into such number of common shares of GTO as may be determined by dividing the volume weighted average closing price of the common shares of GTO for the first 10 trading days on which trading in the common shares actually occurs (following the listing of GTO) (the "Conversion Price") into the amount to be converted. The Conversion Price may not be less than $0.10.

## 12. Accounts payable and accrued liabilities

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade and other payables:

| | As at, | | |
|---|---|---|---|
| | **July 31, 2011** | April 30, 2011 | May 1, 2010 |
| | **$** | $ | $ |
| Less than 1 month | **89,104** | 165,816 | 37,297 |
| 31 – 60 days | **23,790** | 24,528 | 1,956 |
| 61 – 90 days | **26,356** | 2,165 | 2,165 |
| Over 3 months | **52,758** | 75,810 | 1,420 |
| **Total accounts payable and accrued liabilities** | **$ 192,008** | $ 268,318 | $ 52,838 |

## 13. Convertible debenture

On December 10, 2009, the Company completed a convertible debenture financing for proceeds of $255,000. The convertible debenture is unsecured and bears interest at 10% per annum payable annually in arrears. The debenture has a five year term plus one day and is convertible into common shares of the Company at $0.10 per common share, at the holder's option, for the duration of the term. The debenture holder was issued 2,550,000 detachable common share purchase warrants exercisable at $0.10 per share for a period of five years. In connection with this financing, the Company issued 255,000 units with a fair value of $16,575 as finder's fees. Each unit consisted of one common share and one common share purchase warrant exercisable at $0.10 per share for a period of five years.

Pursuant to CICA Handbook Section 3863, "Financial Instruments – Presentation", the Company split the proceeds of the convertible debenture between debt and equity, based on the relative fair values of the debt, conversion option, and warrants. The amount attributable to the debt was $23,908 and the amount attributable to the conversion option and warrants was $231,092. This amount represented a deemed discount on the debt issuance, and accordingly is being accreted in the statement of operations on a straight-line basis over the five year term of the debt. During the 3 months ended July 31, 2011, the Company recorded accretion expense of $11,555 (July 31, 2010 - $Nil) which increased the carrying value of the convertible debenture to $99,397 (April 30, 2011 - $87,842).

## 14. Related party transactions

The financial statements include balances and transactions with directors and/or officers of the Company and/or corporations related to or controlled by them. These transactions are measured and recorded at their exchange amounts, being the amounts agreed to by the related parties.

| **3 months ended July 31,** | **2011** | 2010 |
|---|---|---|
| | **$** | $ |
| General and administrative | **3,750** | - |
| Management fees | **44,750** | 6,500 |

## 15. Capital stock

***Share Capital***

Firebird's authorized share capital consists of an unlimited number of common shares.

The issued and outstanding share capital is as follows:

| | **Number of Shares** | **$** |
|---|---|---|
| **Balance at May 1, 2010** | **19,395,408** | **11,564,327** |
| Issued for cash: | | |
| Exercise of warrants | 1,925,000 | 98,000 |
| Issued for property option payment | 9,056,603 | 4,800,000 |
| 2-for-1 share split | 19,430,408 | - |
| **Balance at April 30, 2011** | **49,807,419** | **16,462,327** |
| **Issued for cash:** | | |
| Private placement | **3,653,000** | **2,191,800** |
| Exercise of warrants | **200,000** | **-** |
| Cash costs of private placement | **-** | **(135,294)** |
| Warrants issued | **-** | **(456,625)** |

| | | |
|---|---|---|
| Compensation warrants issued | **-** | **(97,170)** |
| Spin-out | **-** | **(396,679)** |
| **Balance at July 31, 2011** | **53,660,419** | **$ 17,568,359** |

**Fiscal 2011**

(a) On December 24, 2010, the Company completed a forward split of its issued and outstanding shares on a two-for-one basis.

(b) On February 16, 2011, the Company issued 9,056,603 common shares with a fair value of $4,800,000 pursuant to an option agreement. Refer to note 17.

**Fiscal 2012**

(c) On July 5, 2011, the Company closed on its previously announced private placement for an aggregate of 3,653,000 units (each a “Unit”) at a price of $0.60 per Unit. Each Unit consisted on one common share and one-half of a share purchase warrant (each whole warrant, a “Warrant”). Each Warrant entitles the holder to purchase one common share at a price of $1.00 for a period of 18 months from the date of issue. In connection with the private placement, the Company paid finders’ fees consisting of cash commissions equal to $135,294 and issued 255,710 compensation warrants (“Compensation Warrants”) entitling the holder thereof to acquire on common share at a price of $0.75 for a period of 12 months from the date of issue.

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the Warrant and Compensation Warrant fair values:

| | **Warrants** | **Compensation Warrants** |
|---|---|---|
| Number of options granted | 1,826,500 | 255,710 |
| Weighted average information | | |
| Exercise Price | $1.00 | $0.75 |
| Risk-free interest rate | 1.57% | 1.57% |
| Expected life | 1.5 years | 1 year |
| Expected volatility | 157.99% | 157.99% |
| Vesting | 100% | 100% |
| Expected dividends | - | - |
| **Fair value** | **$456,625** | **$97,170** |

(d) As at July 31, 2011, the Company has received $237,500 from share subscriptions regarding the exercise of 4,750,000 warrants at $0.05 each.

***Outstanding issued warrants***

The outstanding issued warrants balance at July 31, 2011, is comprised of the following items:

| **Date of Expiry** | **Type** | **No. of Warrants** | **Exercise Price $** |
|---|---|---|---|
| July 5, 2012 | Compensation Warrant | 255,710 | 0.75 |
| January 5, 2013 | Warrant | 1,826,500 | 1.00 |
| September 25, 2014 | Warrant | 2,400,000 | 0.25 |

| | | | |
|---|---|---|---|
| November 13, 2014 | Warrant | 22,000,000 | 0.05 |
| January 8, 2015 | Warrant | 10,050,000 | 0.10 |
| **Total** | | **36,532,210** | |

***Options***

Firebird has a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. The plan allows for the issuance of up to 10% of the issued and outstanding common shares. As at July 31, 2011, the Company had 866,041 (April 30, 2011 – 480,740) options available for issuance. A continuity of the unexercised options to purchase common shares is as follows:

| | **July 31, 2011** | | April 30, 2010 | |
|---|---|---|---|---|
| | **Weighted Average Exercise Price** | **No. of Options** | Weighted Average Exercise Price | No. of Options |
| | **$** | | $ | |
| Outstanding at beginning of year | **0.60** | **4,500,000** | - | - |
| Transactions during the period/ year: | | | | |
| Granted | **-** | **-** | 0.60 | 4,500,000 |
| Expired | **-** | **-** | - | - |
| **Outstanding at end of period/year** | **0.60** | **4,500,000** | 0.60 | 4,500,000 |

The following table provides additional information about outstanding stock options at July 31, 2011:

| Range of Exercise Prices | No. of Options Outstanding | Weighted Average Remaining Life (Years) | Weighted Average Exercise Price ($) |
|---|---|---|---|
| $0.60 | 4,500,000 | 4.7 | 0.60 |
| $0.60 | 4,500,000 | 4.7 | 0.60 |

The fair value of the stock options granted for the three months ended July 31, 2011, was $Nil (July 31, 2010 – $Nil). Stock options (share-based payments) that have vested during the 3 months ended July 31, 2011 totaled $270,968 (July 31, 2010 - $Nil), with such amount expensed in the statements of loss and comprehensive loss.

## 16. Exploration and evaluation expenditures

The evaluation and exploration expenses for the Company are broken down as follows:

| | Three months ended | | |
|---|---|---|---|
| | **July 31, 2011** | July 31, 2010 | Cumulative to date |
| | **$** | $ | $ |
| **Acquisition costs:** | | | |
| Rose, Ontario[1] | **-** | - | - |
| Mountain of Gold, Ontario | **-** | - | - |
| Pageland, South Carolina | **484,200** | - | 5,484,000 |
| | **484,200** | - | 5,484,000 |
| **Exploration costs:** | | | |
| Rose, Ontario[1] | **-** | 6,000 | - |
| Mountain of Gold, Ontario | **-** | - | 1,807 |
| Pageland, South Carolina | **132,298** | - | 312,868 |
| | **132,298** | 6,000 | 314,675 |
| **Exploration and evaluation expenditures** | **616,498** | 6,000 | 5,798,675 |

[1]During the 3 months ended July 31, 2011, the Company completed the Spin-out of its Rose property to GTO and distributed the shares it received to Firebird shareholders. As the Spin-out was a related-party transaction, the fair value ascribed to the transaction was equal to the carrying value of the property, or $396,679. Such amount represents a gain on sale as all previously spent exploration and evaluation costs have been expensed pursuant to IFRS.

***Commitments***

(a) Mountain of Gold, Ontario

Pursuant to a mineral property option agreement dated May 4, 2005, the Company was granted an option to acquire a 100% undivided interest in two claims in the Turnbull area of Ontario. In order to keep the option granted to the Company in good standing, the Company was obligated to:

i) issue 50,000 common shares on regulatory approval of the agreement;
ii) issue 50,000 common shares by May 4, 2006; and
iii) issue 100,000 common shares by May 4, 2007.

The Company has earned a 100% interest in the property, subject to retention by the vendor of a 1% net smelter royalty if the Company commences commercial production on the claims. The Company has the option and right to purchase and cancel 100% of the net smelter royalty at any time for $1,000,000.

(b) Pageland Minerals, South Carolina

Pursuant to a mineral property option agreement dated June 24, 2010, the Company was granted an option to acquire a 70% undivided interest in mineral claims in South Carolina. In order to keep the option granted to the Company in good standing, the Company is obligated to:

i) issue common shares with a fair value of $4,800,000 (issued) by July 31, 2011;
ii) pay $200,000 (paid) on or before March 31, 2011;

iii) pay $500,000 on or before June 30, 2011; and
iv) incur exploration costs of $495,000 by July 31, 2011.

The Company has the option to acquire the remaining 30% interest in the mineral claims in exchange for $1,800,000 and incurring an additional $1,000,000 of exploration costs by July 31, 2012.

## 17. Reserve for warrants

A summary of the changes in the Company's reserve for warrants for the 3 months ended July 31, 2011 and the year ended April 30, 2010 is set out below:

| | **July 31, 2011** | April 30, 2010 |
|---|---|---|
| | **$** | $ |
| Balance at beginning of year | **148,481** | 148,481 |
| Fair value of warrants issued | **456,625** | - |
| Fair value of compensation warrants issued | **97,170** | - |
| **Balance at end of period/year** | **702,276** | 148,481 |

## 18. Reserve for share-based payments

A summary of the changes in the Company's reserve for share-based payments for the 3 months ended July 31, 2011 and the year ended April 30, 2010 is set out below:

| | **July 31, 2011** | April 30, 2010 |
|---|---|---|
| | **$** | $ |
| Balance at beginning of year | **1,233,776** | - |
| Share-based payments | **270,968** | 1,233,776 |
| Balance at end of period/year | **1,504,744** | 1,233,776 |

## 19. Segmented information

### Operating Segments

At July 31, 2011 the Company's operations comprise a single reporting operating segment engaged in mineral exploration in the United States and Canada. The Company's corporate division only earns revenues (interest income) that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment as defined in **IFRS 8 *'Operating Segments'*.** As the operations comprise a single reporting segment, amounts disclosed in the unaudited interim consolidated financial statements also represent operating segment amounts.

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

### Geographic Segments

Firebird is in the business of mineral exploration in Canada and the USA. As such, management has organized the Company's reportable segments by geographic area. The USA segment is responsible for that country's mineral exploration activities while the Canadian segment manages corporate head office activities and is responsible for the Canadian mineral exploration activities. Information concerning SRI's reportable segments is as follows:

| | **Three months July 31, 2011** | Three months July 31, 2010 |
|---|---|---|
| **Consolidated net loss** | $ | $ |
| Canada | **55,984** | 39,494 |
| USA | **616,498** | - |
| | **672,482** | 39,494 |

| | **Three months July 31, 2011** | Three months July 31, 2010 |
|---|---|---|
| **Significant non-cash items** | | |
| Canada | | |
| Share-based payments | **270,968** | - |

| | **Three months July 31, 2011** | Three months July 31, 2010 |
|---|---|---|
| **Identifiable assets** | | |
| Canada | **1,702,511** | 1,281,172 |
| USA | **138,637** | 8,265 |
| | **1,841,148** | 1,289,437 |